Before the Public Utilities Commission
of the State of California

Order Instituting Rulemaking to Adopt Biomethane Standards and Requirements, Pipeline Open Access Rules, and Related Enforcement Provisions.	Rulemaking 13-02-008 (Filed on February 13, 2013)

REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES

JONATHAN BROMSON

Attorney
Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Téléphone: (415) 703-2362
Email: jonathan.bromson@cpuc.ca.gov

MATTHEW A. KARLE

Regulatory Analyst
Office Of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Téléphone: (415) 703-1850
Email: matthew.karle@cpuc.ca.gov

June 8, 2015

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Adopt Biomethane Standards and Requirements, Pipeline Open Access Rules, and Related Enforcement Provisions	Rulemaking 13-02-008 (Filed on February 13, 2013)

REPLY COMMENTS ON PROPOSED DECISION OF
THE OFFICE OF RATEPAYER ADVOCATES

The Office of Ratepayer Advocates (ORA) submits the following reply comments on the May 12, 2015, *Proposed Decision Regarding the Costs of Compliance with Decision 14-01-034 and Adoption of Biomethane Promotion Policies and Program* (PD), pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure.

The May 12, 2015 PD outlines a program to use ratepayer funds to subsidize interconnect costs for projects injecting biomethane into a common carrier pipeline in California. The PD set a cap for the subsidy at 50% of a project's interconnect cost, up to $1.5 million per project, and a total program of cap $40 million. The PD additionally requires that a biomethane project inject pipeline quality biomethane into a common carrier pipeline for 30 days prior to receiving the subsidy payment.

In June 1 Opening Comments on the PD, the Biomethane proponents requested a number of changes to the PD that would collectively increase the ratepayer provided subsidy for interconnection costs. The Coalition for Renewable Natural Gas (RNG) recommends that the Commission "provide funding to offset interconnection costs by 50%, up to $1.5 million per mile but not to exceed $4.5 million per eligible project."[1] They further request that "the Commission increase funding for the proposed program by

[1] Opening Comments of the Coalition for Renewable Natural Gas, p. 7.

$80 million to $120 million."[2] The Bioenergy Association of California and the California Association of Sanitation Agencies (BAC/CASA) comment that the Commission should "increase the cost cap to at least $3 million per project," and that raising the cost cap will "promote a wider variety of projects…. and encourage co-located projects that are more cost effective overall."[3] BAC/CASA further recommends that the Commission reconsider the 30-day period after successful interconnection for the subsidy to be credited to the biomethane producer. They suggest that the subsidy be made immediately on interconnection.[4]

The project cost cap and overall program cap provisions singled out by the biomethane proponents serve as appropriate protections for ratepayers and should remain intact. An appropriate per project subsidy cap and the requirement that a project successfully inject pipeline quality biomethane into a utility pipeline for 30 days prior to receiving a subsidy protects ratepayers by discouraging the development of uneconomical projects that will require further public or ratepayer subsidy. As with any source of gas, some sources of biomethane will be more economical to develop and bring to pipeline quality than other sources of biomethane. The 30 day delivery requirement for pipeline quality biomethane ensures that ratepayers are not paying if the quality of gas produced cannot meet the standards set by the relevant utility tariffs and thus for safety reasons cannot be injected into the utility pipeline. The 30 day requirement also ensures that any project developed over the course of the program be sustainable economically *before* ratepayer funds are used to support the project. The focus of any subsidy program should not be to develop every available source of biomethane; rather, the program should focus on enabling the development of incremental biomethane production by making it economical to develop currently marginal biomethane projects.

---

[2] Opening Comments of the Coalition for Renewable Natural Gas, p. 8.

[3] Opening Comments of the Bioenergy Association of California/California Association Sanitation Agencies, at p. 6.

[4] Opening Comments of the Bioenergy Association of California/California Association Sanitation Agencies, at p. 6.

The PD has designed a targeted subsidy to "help pave the way, jump start, and facilitate the development of biomethane within California."[5] The ratepayer protections included in the program as outlined above serve to ensure that the program does so. Appropriate limits on project cost provide an incentive to develop the most economical projects in the light of current and expected low natural gas prices. Requiring that the project successfully inject pipeline quality biomethane into the pipeline for 30 days before the subsidy is paid ensures that only those projects which can reasonably be expected to produce a steady flow of pipeline quality biomethane will be developed. Together these provisions not only protect ratepayers, but target the program to focus on projects likely to be most successful.

Respectfully submitted,

/s/ JONATHAN BROMSON
JONATHAN BROMSON

Attorney for
The Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2362
Email: jab@cpuc.ca.gov

June 8, 2015

[5] Proposed Decision, Finding of Fact 26, p. 39.